The European Investment Bank

Providing finance and expertise for sound and sustainable investment projects

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"Mobilising public finance for adaptation around the world - with particular focus on EIB's cooperation with regional development banks"

The EIB – a global MDB (Multilateral Development Bank)

- Shareholders: 28 European Union (EU) Member States
- An MDB with approx 75 billion EUR total lending per year - about 90% of lending within the EU, 10% outside EU (136 countries).
- More than just lending - EIB does "Lending, blending and advising"

Climate action global lending target - more than 25%

EIB Climate Lending 2012 and 2013

- **2012**
- Total climate action
  13.3 billion EUR
- Adaptation
  1.0 billion EUR
- Adaptation in developing and emerging economies
  179 million EUR
- About 8% of overall climate action - but we believe this may be significantly undercounted due to original focus on mitigation and no double counting of mitigation and adaptation.

- An aside: since 2007, 5.6 billion EUR raised on our Climate bonds

- **2013**
- Total climate action
  19.0 billion EUR
- Adaptation
  1.2 billion EUR

- Main sectors – forestry and land use, water storage, water efficiency, and flood protection

- Future key sectors?
- Urban resilience
- Transport
- waste

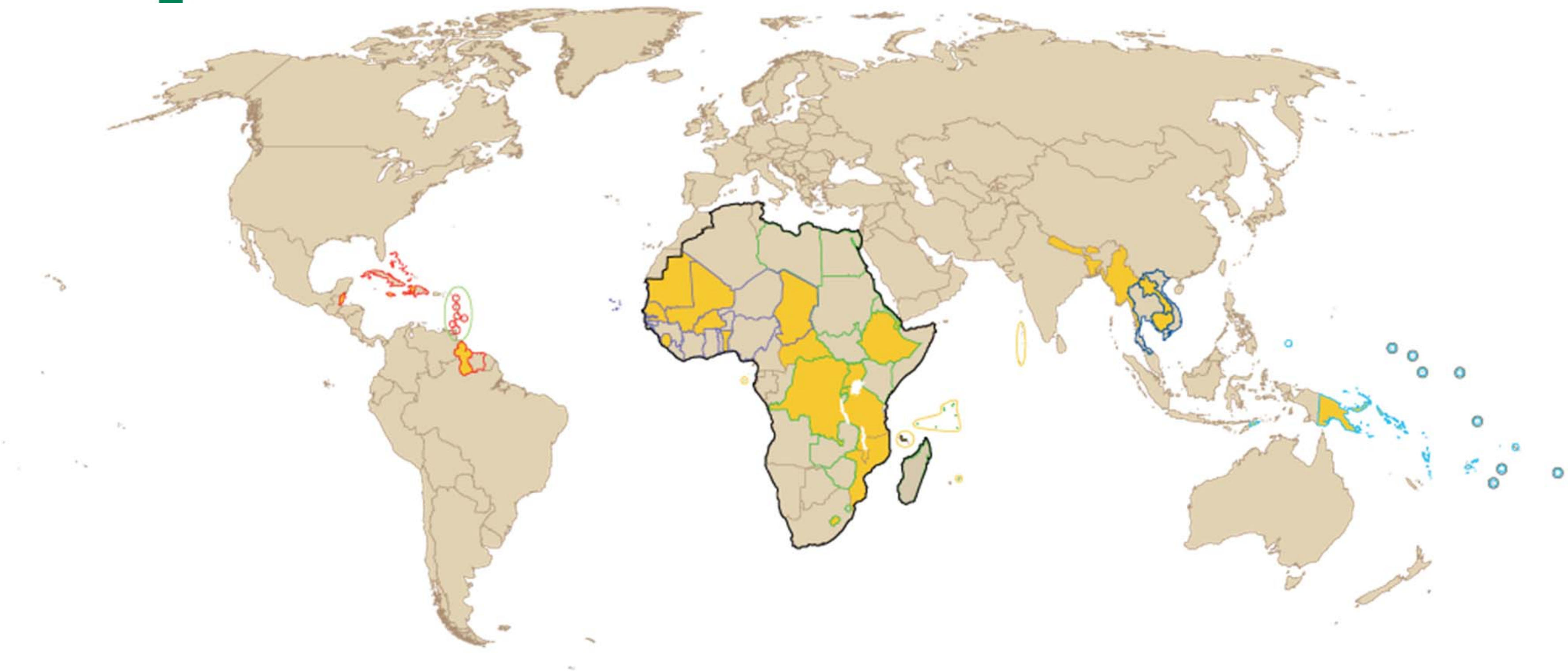
EIB cofinancing: blending our finance

- EIB always cofinances climate investments - with other MDBs such as WB, IADB, ADB etc, and with other IFIs including bilateral finance institutions such as KFW, AFD, JICA etc, regional and national development banks. Cofinancing can also involve commercial banks in both standard project financing or in PPPs.
- In many cases there is also EU grant funding in this cofinancing - in the form of EU subsidies for climate action lending, or EU funded technical assistance (TA) funds which support project preparation and implementation.
- Much of our financing is also a result of cooperation with trust funds and other national or regional upstream work on NAPs plus other strategic work that has helped identify climate priority projects. The next slides show an example of this vital work.

Global Climate Change Alliance - GCCA

- EUR 285 million in 2008-2013 for 37 national Programmes and 8 regional programmes (e.g. in the Caribbean)
- Focus on adaptation & disaster risk reduction – programme priorities identified by host countries
- Key integrated actions: capacity development, policy support, innovative projects, research
- Implementation modalities: direct access (sectoral and general budget support) and project support

GCCA Beneficiary countries



Adaptation grant funding from EU budget

- Grant funding from EU budget covers a wide range of actions (including the GCCA and grants for blending with EIB and EU bilateral finance).
- Adaptation funding from EU budget has increased substantially in last few years:
- 2008 EUR 95 million
- 2009 EUR 240 million
- 2010 EUR 330 million
- 2011 EUR 420 million
- 2012 EUR 555 million
- In the following slides – an example of blending of EU grants with EIB finance – for adaptation in the Caribbean.

European Investment Bank The EU bank

Lending, blending & advising with CDB – 1.

- Caribbean Development Bank and EIB have worked closely together and co-funded projects in the region for many years
- This latest climate action line of credit (CALC) is a 65 million USD instrument to on-lend for climate action investments in CDB's Borrowing Member Countries (BMCs) - it benefits from an EU interest rate subsidy because it is dedicated to climate action.
- CALC pipeline = adaptation projects including infrastructure resilience
- Technical experts from EIB and CDB together with EU funded climate consultants, worked together on pilot projects in Phase 1, to ensure the roll out was well designed
- The first project proposed under the CALC was approved by CDB's board in May. It is the Northern Highway out of Belize City - a major hurricane evacuation route and a vulnerable low lying highway. After a detailed CRVA, the project includes many elements to make it more resilient to future extreme climate events.

Lending blending & advising with CDB – 2.

- Following Phase 1, both EIB and CDB agreed on three specific needs to support further work. The proposal was agreed by the EU donors (Cotonou TA) for Climate Action grant funding. There are now 3 EU funded TA and grant instruments to accompany the CALC:
- 1. TA support to CDB's in-house technical teams who want to ramp up their work on adaptation. This TA will provide long and short term experts to support CDB in their climate risk and vulnerability assessments and other climate mainstreaming they wish to prioritise.
- 2. TA funding for further project preparation with integration of CRVA into projects proposed for the CALC funding. This will improve resilience of individual projects but there is still a need to address system risks beyond the project boundaries. Therefore lastly there is:
- 3. Grant funding for integration of climate risks and CRVA into sectoral, regional or urban planning in the BMCs – to support those countries as they aim to build resilience at earlier stages of project identification/planning. Total Funding from the "Cotonou" TA funds is 4 Million EUR.

Misunderstanding & **barriers** to adaptation

- We need to finance both Adaptation **through** projects and
- Adaptation **in** projects (some say "mainstreaming", some resilience, but nothing is ever "climate proofed")
- Adaptation is location and case specific: There is no list of investments that are always good adaptation (not even flood protection, not even if flooding is a critical risk...) and we must avoid bad adaptation! For both reasons good process is important. (CRVA etc)
- We are at the start of a transition to a more resilient world but we are just starting. Saying we know, or have done more, will not help our knowledge sharing – we need to communicate and build our own and others' capacity.
- Lastly - with lots of focus on adaptation finance - how to track good adaptation that may cost little or nothing ...?

Opportunities to improve public adaptation finance flows

- The MDBs have highlighted a process-based approach in their joint Adaptation finance tracking methodology (published Dec 2012). This process is vital to target finance effectively. EIB is this year's MDB coordinator of the climate finance tracking work
- Recent workshops have highlighted the need for integrated action on urban resilience with improved linkages between the ongoing upstream work and the IFIs (tale of 2 cities...)
- In all sectors it is important to bring together the FIs (who all want to finance adaptation) into the networks and trust fund work, so as to help cities and countries design outputs to suit different financing options.
- Public IFI finance can also finance private sector businesses to be more resilient - by climate vulnerability and risk assessments in their business continuity support to MSMEs, financing water efficiency in water stressed areas & through city resilience work.

Some last thoughts...

- Good adaptation projects must be financed - but we must also look at the rest of the system i.e. finance resilience in all at risk development projects and support adaptive management changes e.g. Changed operation and maintenance.
- For significant volume of adaptation financing, the key need is not for innovative financing but better linking up of existing finance, donors who wish to support preparation work or subsidise climate action investments with grants, and the cities, regions, countries and businesses working on being more resilient. Some cases will clearly need special thought on financing, but a lot of public finance will start to flow by improved communication to develop pipelines of good adaptation and resilient projects.
- It is important to "leverage" technical assistance grants - i.e. use grant funds to have demonstration/replication impacts.
- THANK YOU! n.saich@eib.org